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Spain

Tomatoes and Products

Annual

2007

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Report Highlights:

On June 12, 2007, European Union (EU) agriculture ministers agreed with the European Commission (EC) to reform the EU fruit and vegetable subsidy regime. The Government of Spain (GOS) is reported to have met all its negotiating goals for the sector. Of particular note for the Spanish negotiators, was their successful bid to provide additional, albeit short-term subsidies, to the tomato sector, reported to be in economic crisis.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Madrid [SP1]
[SP]

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Executive Summary

Reform of the common market organization for fruits and vegetables (CMO) began on June 12, 2007, in Luxembourg when all 27 EU Member States agreed unanimously to a new set of measures. Spain is the most important EU producer of fruits and vegetables, and particularly susceptible to reform in the tomato sector, where Spanish producers have increased production far above the limits established by the EC. To mitigate the tomato subsidy-reduction resulting from that "over-production," the Spanish, as part of CMO reform, received the green light to provide 15 million Euros in subsidies to the sector during the current campaign.

At first blush, and without full disclosure of all of the details of the program, the reform appears to out of step with the reforms in other sectors, which featured a "single farm payment," based on historical subsidization. This new approach appears to be a "Blue Box" program that will require specific limitations on the number of hectares a farmer can produce of any given fruit or vegetable crop. There are current World Trade Organization (WTO) limits on the amount of funding the Europeans can spend on "Blue Box" programs, but because they are transitioning some of their other previously "Blue Box" programs to the Single Farm Payment, which have the potential to be notified "Green Box" under current WTO rules, those "Blue Box" limits were not likely to have been pertinent in the reform discussions.

Other important features of the reform will include four, and five-year transitions from payment for production, to payment based on hectares harvested for tomatoes and citrus fruit, respectively, designed to ease producer/processor concerns, and facilitate the reorganization of the processing and production industries.

Regarding tomato supply and demand under the current CMO, please see the table here below. The data clearly shows Spain's production shift to capture the subsidies provided for processing tomatoes, and the dramatic reductions once the subsidy penalties, resulting from the Spanish producers exceeding their EC-mandated production targets, were implemented.

| MY | Total Area Harvested | Fresh Area Harvested | Fresh as % of Total | Processed Area Harvested | Processed % of Total | Total Production | Processing Production | Total Production |
|------|----------------------|----------------------|---------------------|--------------------------|----------------------|------------------|-----------------------|------------------|
| 2007 | 56600 | 32500 | 57.42% | 24100 | 42.58% | 2000000 | 1650000 | 3650000 |
| 2006 | 57300 | 32500 | 56.72% | 24800 | 43.28% | 2100300 | 1579000 | 3679300 |
| 2005 | 71900 | 32238 | 44.84% | 39662 | 55.16% | 2339800 | 2611200 | 4951000 |
| 2004 | 70210 | 32982 | 46.98% | 37228 | 53.02% | 2259000 | 2167000 | 4426000 |
| 2003 | 72000 | 39700 | 55.14% | 32300 | 44.86% | 2299000 | 1713346 | 4012346 |
| 2002 | 59500 | 32500 | 54.62% | 27000 | 45.38% | 2208900 | 1669500 | 3878400 |
| 2001 | 61500 | 34500 | 56.10% | 27000 | 43.90% | 2161700 | 1568200 | 3729900 |

Under a formula that includes a three-year moving average incorporating a penalty for over production, this year, producers will receive 12.76€/MT, compared to 34.50€/MT received in previous years and received currently by non-penalized EU producers; and hence, the Spanish Government's interest in providing additional subsidies to the sector during this marketing year.

Fresh Tomatoes

Production, Supply & Distribution Tables

PSD Table

Country Spain
Commodity Fresh Tomatoes

| Market Year Begin | 2005 Revised | | | 2006 Estimate | | | (HA)(MT) 2007 Forecast | | | MM/YYYY |
|-------------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|------------------------|---------------|-------------------|---------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| | 01/2005 | 01/2005 | 01/2005 | 01/2006 | 01/2006 | 01/2006 | 01/2007 | 01/2007 | 01/2007 | |
| Plant For Fresh Consump | 0 | 25194 | 32238 | 0 | 23218 | 32500 | 0 | 0 | 32500 | (HA) |
| Plant For Processing | 0 | 39662 | 39662 | 0 | 31348 | 24800 | 0 | 0 | 24100 | (HA) |
| Total Area Planted | 0 | 64856 | 71900 | 0 | 54566 | 57300 | 0 | 0 | 56600 | (HA) |
| Harv. For Fresh Cons. | 0 | 25194 | 32238 | 0 | 23218 | 32500 | 0 | 0 | 32500 | (HA) |
| Harv. For Processing | 0 | 39662 | 39662 | 0 | 31348 | 24800 | 0 | 0 | 24100 | (HA) |
| Total Area Harvested | 0 | 64856 | 71900 | 0 | 54566 | 57300 | 0 | 0 | 56600 | (HA) |
| Fresh Sale Production | 0 | 1385600 | 2339800 | 0 | 1500000 | 2100300 | 0 | 0 | 2000000 | (MT) |
| Processing Production | 0 | 2611200 | 2611200 | 0 | 2000000 | 1579000 | 0 | 0 | 1650000 | (MT) |
| Total Production | 0 | 3996800 | 4951000 | 0 | 3500000 | 3679300 | 0 | 0 | 3650000 | (MT) |
| Total Supply | 0 | 3996800 | 4951000 | 0 | 3500000 | 3679300 | 0 | 0 | 3650000 | (MT) |

SOURCE:

Area Planted Fresh— MAPA data through 2006. FAS Iberia forecast for 2007.

Area Planted Processing – MAPA data through 2007

Area Harvested – FAS Iberia estimates and forecast.

Production Fresh/Processing – MAPA data through 2006. FAS Iberia forecast for 2007, based on conversations with Spanish producers associations.

Production and Stocks

In the table below, please note that deliveries to processors exceed actual processing production, because Spanish processors have recently been contracting to buy processing tomatoes from Portugal.

| MY | Total Production | Fresh Production | Processing Production | Canned Deliveries | Paste Deliveries | Total Deliveries | Deliveries Vs. P. Production |
|------|------------------|------------------|-----------------------|-------------------|------------------|------------------|------------------------------|
| 2007 | 3650000 | 2000000 | 1650000 | 247000 | 1750000 | 1997000 | 347000 |
| 2006 | 3679300 | 2100300 | 1579000 | 228134 | 1758934 | 1987068 | 408068 |
| 2005 | 4951000 | 2339800 | 2611200 | 370000 | 2902586 | 3272586 | 661386 |
| 2004 | 4426000 | 2259000 | 2167000 | 312605 | 1746205 | 2058810 | -108190 |
| 2003 | 4012346 | 2299000 | 1713346 | 159038 | 1368721 | 1527759 | -185587 |
| 2002 | 3878400 | 2208900 | 1669500 | 205000 | 1234300 | 1439300 | -230200 |
| 2001 | 3729900 | 2161700 | 1568200 | 234500 | 1264757 | 1499257 | -68943 |

Stocks are still at high levels, but if our estimates and forecasts of exports are realized, they will be decreasing steadily. Spain has record stocks since 2005, when production was at highest and coincided with worldwide high production levels and saturation of international markets making it difficult to export tomato products.

Policy

EC Regulation No. 2201/96, provides tomato thresholds, subsidies, and penalties for Spanish tomato production. Please see the tables below.

EU-Set Production Thresholds For Processing Tomato, Fresh Tomato Basis (Tons)

| Country | Product | Production Thresholds |
|--|--------------------------------|-----------------------|
| Spain | - Canned whole peeled tomatoes | 111,612 |
| | - Other Tomato Products | 1,126,994 |
| Total processed tomato products | | 1,238,606 |

EU Subsidies to Processing Tomato Producers (€/MT)

| Product | 2005/06 | | 2006/07 | | 2007/08 | |
|-----------------------|------------|-------------------------------|------------|-------------------------------|------------|-------------------------------|
| | EU-Subsidy | Received by Spanish Producers | EU-Subsidy | Received by Spanish Producers | EU-Subsidy | Received by Spanish Producers |
| Whole Canned Tomato | 34.50 | 34.50 | 34.50 | 34.50 | 34.50 | 34.50 |
| Other Tomato Products | 34.50 | 31.29 | 34.50 | 23.35 | 34.50 | 12.76 |

Producers are concerned about the newly approved reform of the EU CMO. According to producers association representatives, uncertainty is the main problem. Subsidy decoupling applied to industrial processing is likely to create provisioning problems over the medium term. With the current system, subsidies account for 40 percent of farmers' incomes. With the new regime, it is unknown how much is going to the farmer, since subsidies will be paid by harvested hectares and not by kilo produced. Producers association representatives believe that in the mid-term, the most likely scenario will be that a restructuring in the processing industry.

Trade

Spain is a net exporter of fresh tomatoes. Exports take place primarily in the EU-27 economic area. Exports to these countries account for 97 percent of total exports. In CY 2005, tomato imports peaked, coming mainly from Portugal (75 percent of total tomatoes imports) and Morocco.

Morocco has a Preferential Trade Agreement with the EU, by which they can export tomatoes into the EU at an agreed entry price of 46.1€/100 kg, which is below the most favored nation entry price. Recently, Morocco reportedly exported under the agreed price, bringing complaints from the Spanish trade association.

Trade data: Tomato paste imports and exports are carried out under the same H.S. codes and, where there is a concentration range, may vary to the full extent of the range. In the following table, we outline our treatment of the pertinent H.S. codes, both regarding imports and exports, providing the multiplication factors we use to arrive at an approximation of 28-30% TSS in the above PS&D, and in the tomato paste trade tables that follow.

| HTSCN Code | TSS | TSS/Import | Factor/Imports | TSS/Export | Factor/Exports |
|------------|---------------|------------|----------------|------------|----------------|
| 2002.90 | Not Specified | - | - | - | - |
| 2002.90.11 | <12% | 12 | 0.4 | 12 | 0.4 |
| 2002.90.19 | <12% | 12 | 0.4 | 12 | 0.4 |
| 2002.90.31 | <12%- >30% | 20 | 0.66 | 18 | 0.6 |
| 2002.90.39 | <12%- >30% | 20 | 0.66 | 18 | 0.6 |
| 2002.90.91 | >30% | 36 | 1.2 | 38 | 1.27 |
| 2002.90.99 | >30% | 36 | 1.2 | 38 | 1.27 |

Spain: Fresh Tomatoes, Imports

| CY | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------|--------|--------|--------|---------|---------|--------|--------|
| Unit: MT | 35,445 | 47,178 | 69,449 | 102,251 | 132,118 | 55,908 | 60,000 |

Sources: GTA through 2006; FAS Iberia forecast for 2007.

Spain: Fresh Tomatoes, Exports

| CY | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------|-----------|---------|---------|-----------|---------|---------|-----------|
| Unit: MT | 1,041,336 | 973,316 | 965,089 | 1,035,976 | 936,155 | 987,260 | 1,000,000 |

Sources: GTA through 2006; FAS Iberia forecast for 2007.

Trade Matrices

Import Trade Matrix

Country

Spain

Commodity

Fresh Tomatoes

Time Period

Jan-Dec

Units:

Metric Tons

Imports for:

2005

2006

U.S.

U.S.

Others

Others

| | | | |
|-------------|--------|-------------|--------|
| Portugal | 99,679 | Portugal | 28,884 |
| Morocco | 13,840 | Morocco | 15,216 |
| Netherlands | 9,752 | Netherlands | 6,121 |
| France | 3,944 | Belgium | 2,610 |
| Belgium | 2,992 | France | 1,535 |
| Poland | 806 | Poland | 713 |
| | | | |
| | | | |
| | | | |
| | | | |

Total for Others

131,013

55,079

Others not Listed

1,105

826

Grand Total

132,118

55,908

Export Trade Matrix

Country

Spain

Commodity

Fresh Tomatoes

Time Period

Jan-Dec

Units:

Metric Tons

Exports for:

2005

2006

U.S.

U.S.

Others

Others

| | | | |
|-------------|---------|-------------|---------|
| Germany | 200,155 | Germany | 206,491 |
| U.K. | 188,060 | U.K. | 178,787 |
| Netherlands | 170,836 | France | 173,762 |
| France | 148,023 | Netherlands | 164,704 |
| Italy | 39,695 | Poland | 41,781 |
| Poland | 29,892 | Italy | 33,998 |
| Portugal | 25,318 | Czech Rep. | 27,658 |
| Other EU-27 | 111,523 | Other EU-27 | 125,802 |
| | | | |
| | | | |

Total for Others

913,502

952,983

Others not Listed

22,147

31,445

Grand Total

936,155

987,260

Canned Tomatoes -- Spain

Production, Supply & Distribution Table

PSD Table

Country

Spain

Commodity

Tomatoes, Canned

(MT)(MT, Net Weight)

| | 2005 Revised | | | 2006 Estimate | | | 2007 Forecast | | | UOM |
|----------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|------------------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | 07/2005 | 07/2005 | 07/2005 | 07/2006 | 07/2006 | 07/2006 | 07/2007 | 07/2007 | 07/2007 | MMYYYY |
| Deliv. To Processors | 356719 | 356719 | 370000 | 300000 | 300000 | 228134 | 0 | 0 | 247000 | (MT) |
| Beginning Stocks | 68080 | 68080 | 68080 | 122563 | 122563 | 151159 | 115563 | 115563 | 103159 | (MT, Net Weight) |
| Production | 271483 | 271483 | 297000 | 230000 | 230000 | 183000 | 0 | 0 | 199000 | (MT, Net Weight) |
| Imports | 3000 | 3000 | 6565 | 3000 | 3000 | 4000 | 0 | 0 | 5000 | (MT, Net Weight) |
| Total Supply | 342563 | 342563 | 371645 | 355563 | 355563 | 338159 | 115563 | 115563 | 307159 | (MT, Net Weight) |
| Exports | 70000 | 70000 | 70486 | 80000 | 80000 | 85000 | 0 | 0 | 70000 | (MT, Net Weight) |
| Domestic Consumption | 150000 | 150000 | 150000 | 160000 | 160000 | 150000 | 0 | 0 | 150000 | (MT, Net Weight) |
| Ending Stocks | 122563 | 122563 | 151159 | 115563 | 115563 | 103159 | 0 | 0 | 87159 | (MT, Net Weight) |
| Total Distribution | 342563 | 342563 | 371645 | 355563 | 355563 | 338159 | 0 | 0 | 307159 | (MT, Net Weight) |

SOURCE:

Deliv. To Processors– FAS Iberia estimates and forecast.

Beginning/Ending stocks – FAS Iberia estimates and forecast.

Production - FAS Iberia estimates and forecast.

Imports/Exports – Global Trade Atlas (GTA) for 2005. HS code used is 2002.10. Data is reported on net weight basis using a conversion factor of 0.85 for a 1 kg. gross weight can. FAS Iberia estimate/forecast otherwise.

Domestic Consumption – FAS Iberia estimates and forecast.

Trade

Trade Matrices

Import Trade Matrix

Country

Spain

Commodity

Tomatoes, Canned

Time Period

July/June

Units:

Metric Tons

Imports for:

2005

2006

U.S.

U.S.

Others

Others

| | | | |
|----------|-------|----------|-------|
| Portugal | 3,902 | Portugal | 1,500 |
| Italy | 1,761 | Italy | 1,200 |
| Germany | 374 | France | 600 |
| France | 320 | Germany | 300 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Total for Others

6,357

3,600

Others not Listed

208

400

Grand Total

6,565

4,000

Export Trade Matrix

Country

Spain

Commodity

Tomatoes, Canned

Time Period

July/June

Units:

Metric Tons

Exports for:

2005

2006

U.S.

U.S.

Others

Others

| | | | |
|-------------|--------|-------------|--------|
| France | 23,286 | France | 18,000 |
| Germany | 17,098 | Germany | 22,000 |
| U.K. | 11,806 | U.K. | 17,000 |
| Italy | 5,052 | Italy | 14,000 |
| Portugal | 3,148 | Portugal | 6,000 |
| Netherlands | 1,753 | Netherlands | 4,500 |
| Other EU-27 | 5,169 | | |
| | | | |
| | | | |
| | | | |

Total for Others

67,312

81,500

Others not Listed

2,284

2,500

Grand Total

70,486

85,000

Tomato Paste, 28-30% TSS Basis

Production, Supply & Distribution Tables

PSD Table

Country

Spain

Commodity

Tomato Paste, 28-30%
TSS Basis(MT)(MT, Net
Weight)

| | 2005 Revised | | | 2006 Estimate | | | 2007 Forecast | | | UOM |
|----------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | 07/2005 | | 07/2005 | 07/2006 | | 07/2006 | 07/2007 | | 07/2007 | MM/YYYY |
| Deliv. To Processors | 2239327 | 2239327 | 2902586 | 1700000 | 1700000 | 1758934 | 0 | 0 | 1750000 | (MT) |
| Beginning Stocks | 80868 | 80868 | 80868 | 157177 | 157177 | 300197 | 99177 | 99177 | 250197 | (MT, Net Weight) |
| Production | 414309 | 414309 | 524000 | 310000 | 310000 | 318000 | 0 | 0 | 320000 | (MT, Net Weight) |
| Imports | 12000 | 12000 | 15219 | 12000 | 12000 | 12000 | 0 | 0 | 10000 | (MT, Net Weight) |
| Total Supply | 507177 | 507177 | 620087 | 479177 | 479177 | 630197 | 99177 | 99177 | 580197 | (MT, Net Weight) |
| Exports | 180000 | 180000 | 149890 | 200000 | 200000 | 200000 | 0 | 0 | 210000 | (MT, Net Weight) |
| Domestic Consumption | 170000 | 170000 | 170000 | 180000 | 180000 | 180000 | 0 | 0 | 180000 | (MT, Net Weight) |
| Ending Stocks | 157177 | 157177 | 300197 | 99177 | 99177 | 250197 | 0 | 0 | 190197 | (MT, Net Weight) |
| Total Distribution | 507177 | 507177 | 620087 | 479177 | 479177 | 630197 | 0 | 0 | 580197 | (MT, Net Weight) |

SOURCE:

Deliv. To Processors – MAPA through 2006. FAS Iberia forecast otherwise.

Beginning/Ending stocks – FAS Iberia estimates and forecast.

Production - FAS Iberia estimates and forecast.

Imports/Exports – Global Trade Atlas (GTA) for 2005. FAS Iberia estimate/forecast otherwise.

Domestic Consumption – FAS Iberia estimates and forecast.

Trade

Trade Matrices

Import Trade Matrix**Country**

Spain

Commodity

Tomato Paste, 28-30% TSS Basis

Time Period

July/June

Units:

Metric Tons

Imports for:

2005

2006

U.S.

184 U.S.

150

Others

Others

| | | | |
|----------|--------|----------|-------|
| Portugal | 10,517 | Portugal | 8,000 |
| Italy | 2,453 | Italy | 1,700 |
| U.K. | 851 | Israel | 1,500 |
| Germany | 430 | Germany | 400 |
| Israel | 265 | | |
| France | 262 | | |
| | | | |
| | | | |
| | | | |
| | | | |

Total for Others

14,778

11,600

Others not Listed

257

250

Grand Total

15,219

12,000

Export Trade Matrix**Country**

Spain

CommodityTomato Paste, 28-30%
TSS Basis

Time Period

July/June

Units:

Metric
Tons

Exports for:

2005

2006

U.S.

2,015 U.S.

2,000

Others

Others

| | | | |
|-------------|--------|-------------|--------|
| France | 30,742 | Germany | 30,000 |
| U.K. | 22,650 | France | 27,000 |
| Germany | 21,127 | U.K. | 18,000 |
| Italy | 16,414 | Other EU-27 | 37,000 |
| Netherlands | 11,034 | Russia | 6,000 |
| Sweden | 6,417 | Portugal | 5,000 |
| Portugal | 6,029 | Japan | 4,000 |
| Russia | 4,806 | | |
| | | | |

Total for Others

119,219

127,000

Others not Listed

28,656

71,000

Grand Total

149,890

200,000

Note: Data is reported in Net Weight Basis, 28-30% TSS

